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EXPORT READINESS SURVEY
of
BIH WOOD PRODUCTS MANUFACTURERS
FINDINGS & CONCLUSIONS

Prepared by Art Raymond & Peter Rayner

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TABLE OF CONTENTS

| <u>Section/Query</u> | <u>Page</u> |
|---|--------------------|
| Introduction | 1 |
| Background | 1 |
| Executive Summary | 3 |
| Findings – Basic Company Information | 4 |
| Ownership Structure | 4 |
| Primary Business | 4 |
| Principal Products | 4 |
| Principal Activities | 5 |
| Principal Raw Materials | 5 |
| Sales | 6 |
| Employment | 6 |
| Current Domestic Distribution Channels | 7 |
| Current Domestic Sales Promotion Activities | 7 |
| Competitive Advantages | 7 |
| Competition | 8 |
| Quality Certification | 8 |
| Findings – Current Export Activities | 9 |
| Current Exporting | 9 |
| Current Export Destinations | 9 |
| Current Export Products | 10 |
| Current Export Distribution Channels | 10 |
| Business Model | 10 |
| Current Export Promotion Activities | 11 |
| Trade Fair Participation | 11 |
| Export Support Capabilities | 12 |
| Export Payment Terms | 12 |
| Export Delivery Terms | 13 |
| Transport Options | 13 |
| Findings – Future Export Plans | 14 |
| Export Marketing Plan | 14 |
| Future Export Products | 14 |
| Future Export Destinations | 14 |
| Future Export Distribution Channels | 15 |
| Future Export Promotion Activities | 15 |
| Future Export Staff | 15 |
| Findings – Business Planning | 16 |
| Key Three-Year Business Goals | 16 |
| Three-Year Strategic Challenges | 16 |
| Pricing Policy | 17 |
| Level of Business Planning | 17 |
| Interest in External Assistance | 17 |
| Pilot Selection | 18 |
| Next Step | 21 |
| List of Sample Companies | 22 |
| Relevant NACE Codes | 23 |

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INTRODUCTION

A primary objective of the BiH Cluster Competitiveness Activity (CCA) is to increase the economic growth in BiH by working with its partners in the wood products and forestry sector to raise productivity, profitability, and employment. The Project aims to assist groups of firms to add value and realize the potential of the country's forest resources.

One means of accomplishing this broad objective is to increase exports of value-added wood products. Above all, exporting requires the producer companies to be competitive in price, quality, and service. Every country with a tree and inexpensive labor is competing in the global wood products marketplace. The Chinese, in particular, are the low cost producer of many wood products including wood furniture. To achieve export success BiH firms must develop the industry infrastructure in their country and aggressively cooperate along the domestic segment of the value chain.

Typically companies in developing countries require external assistance to develop profitable exports. To provide input for the design of a relevant export assistance program, the CCA authorized a survey of BiH wood products companies to determine **the current state of exporting, the export intentions of BiH producers, and the level of business sophistication found in this industry.**

This report summarizes the findings of this survey.

This Survey was also utilized to identify BiH companies who have achieved export success relative to theirs peers. These firms, identified as Pilots, are targeted for additional firm-level assistance to increase their export growth and success. As a by-product of this assistance, case studies describing the export activities and lessons learned of the Pilot companies will be prepared for use in training other BiH firms interested in increasing their export business.

This report identifies the Pilot candidates and describes the logic used in their selection.

BACKGROUND

During September-October 2005 the Wood Products & Forestry Team (WP&F) developed a questionnaire for use in the interviews of the sample companies. This questionnaire contained four sections:

- Section A** Basic Company Information – ownership structure; description of the business, its activities and products; raw materials; sales; employment; domestic distribution channels and promotional activities; and competitors.
- Section B** Current Export Activities – destination countries, export products, export distribution channels and promotional activities, level of trade fair participation, and export terms/conditions.
- Section C** Plans for Future Exporting – existence of an export marketing plan, planned export products, planned distribution channel(s) and promotional activities, and obstacles to export development.
- Section D** Business Planning – key business objectives, strategic challenges, level of business planning, and interest in assistance for export and investment promotion.

Following completion of the survey questionnaire, BiH consultants CeBEDA were retained to conduct the interviews. The WP&F Team compiled a list of 42 companies to be interviewed. These firms manufactured wood products ranging from lumber, veneer, and rough elements to solid wood furniture, upholstery, and joinery.

Representatives of the WP&F Team accompanied CeBEDA on the first – interviews to test the questionnaire and sample company responses. Following minor revision of the questionnaire, CeBEDA completed the interviews during November-December 2005. The responses were then compiled by the CCA staff into Excel spreadsheets. These data were then used by the WP&F Team to select the Pilot candidates and as a basis for this report.

EXECUTIVE SUMMARY

The Export Readiness Survey enabled the WP&F Team to conclude the following:

1. **Exporting** – In the sample of 42 companies, 31 or 74% are currently exporting. At minimum one can conclude from these results that a core group of wood products companies in both the furniture and joinery sectors is exporting an acceptable range of products. These exporters, if assisted with expertise, direction, and potentially with funding, can form the nucleus for growing both exports and domestic volume. Exports can be expanded by developing supply chain alliances between current exporters and non-exporting BiH firms who can produce components.
2. **Interest in Export Assistance** – In the sample, 38 companies or 90% are interested in assistance with their export development activities.
3. **Preferred Export Assistance Activities** – Based on follow-up interviews with a select group of the sample companies, two priorities were identified:
 - a) **Assistance in Trade Show Participation** – Attending and exhibiting at specific trade shows in the EU and BiH. The companies are relying on attendance at trade shows as visitors for promotion. Fewer companies are actually exhibiting with only six companies participating in an EU show as an exhibitor.
 - b) **Development of Contacts with Buyers and Agents** – Assisting BiH companies identify and contact relevant buyers and agents representing companies in their target markets.
4. **Export Distribution** – Out of the 31 exporting companies, only seven or 23% are utilizing multiple channels. Most are relying on their company sales staff for export development. Fewer are using agents or representatives located in the target markets. To improve export success the BiH firms must increase their use of alternative channels.
5. **Internet Use** - Many prospective buyers now use the internet for product searches, etc. Only one company reported using the internet for export promotion. Only five included product information on their web site. In today's connected world the BiH companies must increase the use of email and the web for promotion.

As a by-product of the survey, the WP&F identified four companies with superior overall business and export track records – UKUS, TOPWOOD, OMDA, and SMRCA. An assistance program for these Pilots must now be developed to address their specific requirements. The target outcome is to grow the Pilots' exports as "lessons learned" case studies for other BiH wood products companies.

FINDINGS

The following paragraphs summarize the primary findings of the Survey...

Section A Basic Company Information

1. Ownership Structure

Of the 42 companies surveyed, only one is a state-owned enterprise. The remaining 41 companies include five that are publicly-traded and five that are considered joint ventures with foreign investors/operators.

2. Primary Business

The companies are involved in a wide range of businesses, many of which have sound export potential:

| Primary Business | Number |
|---|---------------|
| Sawmill & Veneer | 1 |
| Sawmill & Construction Joinery Production | 1 |
| Sawmill & Furniture Production | 6 |
| Sawmill & Components Production | 4 |
| Veneer Production | 3 |
| Joinery Production | 5 |
| Furniture Production | 7 |
| Furniture & Components Production | 4 |
| Furniture & Joinery Production | 6 |
| Component Production | 5 |
| Total | 42 |

3. Principal Products

The 42 companies generate a wide range of products:

| Principal Products | Number | % of Companies |
|--|---------------|-----------------------|
| Sawmill Products – Lumber & Rough Elements | 11 | 26.2 |
| Veneer or Board Products | 11 | 26.2 |
| Construction Joinery | 14 | 33.3 |
| Panel Furniture | 9 | 21.4 |
| Solid Wood Furniture | 16 | 38.1 |
| Upholstered Furniture | 6 | 14.3 |
| Furniture Elements | 21 | 50.0 |
| Pre-Fabricated Buildings | 1 | 2.4 |
| Cable Reels | 1 | 2.4 |

4. Principal Activities

In manufacturing the products listed above, the companies are involved in a number of activities:

| Principal Activities | Number |
|--------------------------|--------|
| Forestry | 0 |
| Primary Production | 11 |
| Rough Production | 9 |
| Semi-Finished Production | 18 |
| Final Production | 34 |
| Trading | 6 |
| Trading Only | 0 |

Thus over 80% of the surveyed companies manufacture products that are purchased by the final or end consumer.

5. Principal Raw Materials

The companies consume a wide range of raw materials both from local and foreign sources:

| Principal Raw Materials | Source | |
|-----------------------------|--------|--------|
| | BiH | Import |
| Logs | 20 | 0 |
| Green Lumber | 20 | 2 |
| Kiln-Dried Lumber | 10 | 1 |
| Rough Wood Elements | 7 | 0 |
| Semi-Finished Wood Elements | 4 | 0 |
| Finished Wood Elements | 4 | 0 |
| Particleboard | 2 | 15 |
| MDF | 3 | 9 |
| Plywood | 9 | 4 |
| Laminated Panels | 8 | 4 |

The use of rough, semi-finished, and finished elements by a number of the companies indicates opportunities for cluster development and supply chain alliances.

Note that since no BiH particleboard or MDF plants exist, the companies reporting the use of local panel board are most likely purchasing from importing distributors.

6. Sales

Some of the participating companies reported their domestic and export sales. The totals are shown below:

| Sales | Year (Number of Companies) | |
|------------------|----------------------------|----------------------|
| | 2004 | 2005 Through Month 9 |
| Domestic | KM 25,426,223 (26) | KM 24,871,609 (28) |
| Export | 100,507,241 (26) | 90,693,897 (28) |
| Total | KM 126,823,464 (32) | KM 132,565,506 (38) |
| Average Company | KM 3,963,233 | KM 3,488,565 |
| Largest Company | KM 54,800,000 | KM 40,800,000 |
| Smallest Company | KM 100,000 | KM 100,000 |

7. Employment

The total number of employees in various business functions is shown below:

| Employment | 2005 | % Growth From 2004 | Number of Companies Reporting |
|------------------------------|-------|--------------------|-------------------------------|
| Management & Administrative | 506 | 4.3% | 41 |
| Export Sales | 54 | 12.5% | 22 |
| Full-Time Production Workers | 4,570 | -9.3% | 39 |
| Part-Time Production Workers | 133 | 639% | 2 |
| Total | 5,264 | -5.8% | 41 |
| Largest Company | 2,810 | | |
| Smallest Company | 2 | | |
| Average Employment | 128 | | |

Based on total estimated sales of KM 176,754,000 [annualized from nine month figure shown in (6) above], the average employee generates about KM 33,578 of production value annually. This figure, the equivalent of US\$ 20,482, is a measure of labor productivity. By comparison, wood products workers in the U.S. produce between US\$ 65,000 and 150,000 in annual production value.

8. Current Domestic Distribution Channels

Of the 37 responding companies the most popular distribution channel is a company sales force. Nearly 84% of those companies use this sales channel.

| Current Channels | Number | % of Companies |
|-----------------------------|--------|----------------|
| Company Sales Force | 31 | 83.8 |
| Independent Agents | 1 | 2.7 |
| Distributors/Wholesalers | 10 | 27.0 |
| Company-Owned Retail Stores | 10 | 27.0 |
| Independent Retail Stores | 3 | 8.1 |

Of the ten companies who operate retail stores, three generated more than 50% of their sales through that channel.

9. Current Domestic Sales Promotion Activities

Among the 34 responding companies, the most popular promotion activities for domestic sales are trade fair visits, family/personal links, print advertising, and brochures.

| Activities | Number | % of Companies |
|---------------------------------|--------|----------------|
| Trade Association Participation | 9 | 26.5 |
| Trade Fair Visits | 27 | 79.4 |
| Trade Fair Exhibition | 18 | 23.5 |
| Print Advertising | 23 | 67.7 |
| TV/Radio Advertising | 20 | 58.8 |
| Family/Personal Links | 25 | 73.5 |
| Direct Mail Advertising | 4 | 11.8 |
| Company & Product Brochures | 23 | 67.7 |
| Internet | 19 | 55.9 |
| Product Testing & Certification | 17 | 50.0 |

10. Competitive Advantages

Of the 39 companies that responded to this question, 97% believed their competitive advantage was their level of quality. Fewer companies depended on price and service.

| Advantages | Number | % of Companies |
|------------|--------|----------------|
| Price | 27 | 69.2 |
| Quality | 38 | 97.4 |
| Service | 25 | 64.1 |

11. Competition

Six companies do not know their competition or failed to answer this question.

12. Quality Certification

Few BiH companies have been certified by recognized agencies:

| Certification | Number | % of Companies |
|---|---------------|-----------------------|
| ISO Series 9000/9001:2000 | 8 | 19.0 |
| ISO Series 14000/14001:2000 | 1 | 2.4 |
| CE (for Construction Joinery and Toys) | 0 | 0 |
| Test Certificates for Specific Products | 13 | 30.9 |

Only 36% (15 companies) are preparing or have completed preparation for certification, and 38% (16 companies) are not pursuing certification.

Section B Current Export Activities

1. Current Exporting

Of the 42 companies in the survey, 31 or 74% are currently exporting all or a portion of their production.

2. Current Export Destinations

Exporting is presently confined primarily to Balkan and EU destinations. Only one company in the survey is exporting to the U.S.

| Countries & Regions | Number | % of Exporting Companies |
|--------------------------------|---------------|---------------------------------|
| Croatia | 22 | 71.0 |
| Serbia | 13 | 42.0 |
| Montenegro | 9 | 29.0 |
| EU | 29 | 93.6 |
| USA | 1 | 3.2 |

The participants are shipping to 14 EU countries:

| Country | Number | % of Exporting Companies |
|----------------|---------------|---------------------------------|
| Germany | 19 | 61.3 |
| Italy | 15 | 48.4 |
| Austria | 12 | 38.7 |
| Slovenia | 11 | 35.5 |
| Holland | 5 | 16.1 |
| Sweden | 2 | 6.5 |
| Belgium | 2 | 6.5 |
| UK | 2 | 6.5 |
| Switzerland | 2 | 6.5 |
| Spain | 2 | 6.5 |
| France | 2 | 6.5 |
| Norway | 1 | 3.2 |
| Greece | 1 | 3.2 |
| Hungary | 1 | 3.2 |

3. Current Export Products

The 31 exporting companies are shipping a wide range of wood products:

| Products | Number |
|-------------------------|--------|
| Green/Air-Dried Lumber | 5 |
| Kiln-Dried Lumber | 7 |
| Rough Wood Elements | 6 |
| Veneer | 5 |
| Plywood | 2 |
| Windows | 5 |
| Doors | 6 |
| Mouldings | 6 |
| Flooring | 1 |
| Joinery Elements | 3 |
| Pre-Fabricated Homes | 3 |
| Panel Home Furniture | 6 |
| Panel Kitchen Furniture | 7 |
| Panel Office Furniture | 4 |
| Chairs | 4 |
| Tables | 5 |
| Bedroom Furniture | 8 |
| Occasional Furniture | 4 |
| Upholstered Furniture | 4 |
| Furniture Elements | 12 |

4. Current Export Distribution Channels

| Current Channels | Number | % of Exporting Companies |
|-----------------------------|--------|--------------------------|
| Company Export Sales Force | 26 | 83.9 |
| Independent Agents | 6 | 19.4 |
| Distributors/Wholesalers | 7 | 22.6 |
| Company-Owned Retail Stores | 1 | 3.2 |
| Independent Retail Stores | 1 | 3.2 |

Seven of the exporting companies, 22.6% of the sample, are utilizing multiple channels for their exporting, a fact that shows a relatively high level of sophistication and development.

5. Business Model

Often a company begins exporting by building products to the export buyer's specifications. In the sample 16 companies were following this contract manufacturing model. Three companies were exporting only their own proprietary products. Twelve companies have chosen to manufacture both contract and proprietary products.

6. Current Export Promotion Activities

As with their domestic sales promotion activities, the participants also promoted their export products at trade fairs. Family or personal connections also were critical to export sales at nearly 68% of the companies.

| Activities | Number | % of Exporting Companies |
|---------------------------------|--------|--------------------------|
| Trade Association Participation | 10 | 32.3 |
| Trade Fair Visits | 26 | 83.9 |
| Trade Fair Exhibition | 20 | 64.5 |
| Print Advertising | 15 | 48.4 |
| Family/Personal Links | 21 | 67.7 |
| Direct Mail Advertising | 4 | 12.9 |
| Company & Product Brochures | 23 | 74.2 |
| Product Testing & Certification | 15 | 48.4 |
| Internet | 1 | 3.2 |

This group is underutilizing the Internet/World Wide Web as an export promotion tool.

7. Trade Fair Participation

| Fair Location | Number | % of Exporting Companies |
|------------------------|--------|--------------------------|
| BiH | 14 | 45.2 |
| Balkan Region | 11 | 35.5 |
| Other European Country | 6 | 19.4 |
| USA | 1 | 3.2 |

The most popular BiH fairs are Eko-Bis in Bihac and ZEPS in Zenica.

In the Balkans the most popular fair among the participants is Ambianta in Zagreb, Croatia.

For those companies exhibiting in the EU, the Cologne, Germany, fair is the most popular choice. Note that Germany is also an export destination for over 60% of the exporting companies in the survey.

8. Export Support Capabilities

The 31 exporting companies lacked many basic capabilities to support an export effort:

| Capability | Number | % of Exporting Companies |
|---------------------------------|--------|--------------------------|
| Foreign Language Ability | 23 | 74.2 |
| Multi-Lingual Receptionist | 12 | 38.7 |
| Multi-Lingual Sales Staff | 21 | 67.7 |
| Fax Machine | 29 | 93.6 |
| EMail | 27 | 87.1 |
| Foreign Language Web Site | 16 | 51.6 |
| Product Information on Web Site | 5 | 16.1 |
| Export Marketing Plan | 2 | 6.5 |
| Export Document Preparation | 15 | 48.4 |

Based on the WP&F Team's experience, the active use of email at many BiH companies is poor.

9. Export Payment Terms

The majority of exporting participants either extended credit to their customers or required payment in advance. Bank drafts and letters of credit were utilized by less than 10% of the participants.

Credit is extended by over two thirds of the companies. The average duration of credit is 43 days. The minimum payment term is seven days; the maximum, 120 days.

| Terms | Number | % of Exporting Companies |
|---------------------------|--------|--------------------------|
| Payment in Advance | 17 | 54.8 |
| Bank Draft at Sight | 1 | 3.3 |
| Bank Draft at Time | 1 | 3.2 |
| Letter of Credit at Sight | 3 | 9.7 |
| Letter of Credit at Time | 3 | 9.7 |
| Barter | 5 | 16.1 |
| Credit | 21 | 67.7 |
| Open Account | 0 | 0 |

10. Export Delivery Terms

The most popular payment basis among the participants is EXW (ex works) where the buyer arranges for and pays the freight, insurance, and customs/handling charges directly.

Of the 31 exporting companies only 48% will arrange and pay for freight, etc. on behalf of the customer.

| INCOTERM | Number | % of Exporting Companies |
|------------------------------------|--------|--------------------------|
| EXW (ex works) | 28 | 90.3 |
| CIF (cost, insurance, and freight) | 15 | 48.4 |
| FOB (free on board) | 1 | 3.2 |
| FAS (free alongside ship) | 3 | 9.7 |

11. Transport Options

38 firms use road transport for delivery while 13 employ containerized ocean transport.

Section C Future Export Plans

Of the 42 participating companies, 34 have prior exporting experience although only 31 are presently exporting.

The following section covers the export plans of the sample group.

1. Export Marketing Plan

Only six companies in the sample have prepared a formal Export Marketing Plan.

2. Future Export Products

31 companies specified their proposed export products and provided a forecast of next year's export sales.

| Products | Proposed Products | Current Products | Change |
|-------------------------|--------------------------|-------------------------|---------------|
| Green/Air-Dried Lumber | 5 | 5 | |
| Kiln-Dried Lumber | 5 | 7 | - |
| Rough Wood Elements | 4 | 6 | - |
| Veneer | 1 | 5 | - |
| Plywood | 0 | 2 | - |
| Windows | 6 | 5 | + |
| Doors | 8 | 6 | + |
| Mouldings | 2 | 6 | - |
| Flooring | 1 | 1 | |
| Joinery Elements | 5 | 3 | + |
| Pre-Fabricated Homes | 2 | 3 | - |
| Panel Home Furniture | 3 | 6 | - |
| Panel Kitchen Furniture | 2 | 7 | - |
| Panel Office Furniture | 1 | 4 | - |
| Chairs | 5 | 4 | + |
| Tables | 5 | 5 | |
| Bedroom Furniture | 3 | 8 | - |
| Occasional Furniture | 3 | 4 | - |
| Upholstered Furniture | 2 | 4 | - |
| Furniture Elements | 6 | 12 | - |

A comparison with the response in Section B indicates that the participants are planning to narrow their export product concentration.

3. Future Export Destinations

In addition to the current export destinations, the respondents are planning to expand their exports to Kosovo, Albania, Macedonia, Turkey, Latvia, Portugal, and Japan.

4. Future Export Distribution Channels

The responding companies indicated increasing their use of all export channels.

| Channels | Proposed Channels | Current Channels | Change |
|-----------------------------|-------------------|------------------|--------|
| Company Export Sales Force | 33 | 26 | + |
| Independent Agents | 8 | 6 | + |
| Distributors/Wholesalers | 17 | 7 | + |
| Company-Owned Retail Stores | 2 | 1 | + |
| Independent Retail Stores | 2 | 1 | + |

The number of companies planning to use multiple channels rose to 18 from seven. These data indicate an increasing sophistication in the export marketing efforts of the sample firms.

5. Future Export Promotion Activities

As with distribution channels, the respondents plan to utilize a wider range of promotion activities for developing their export businesses. These responses indicate a strong awareness of the need to use multiple promotional tools.

| Activities | Proposed | Current | Change |
|---------------------------------|----------|---------|--------|
| Trade Association Participation | 17 | 10 | + |
| Trade Fair Visits | 34 | 26 | + |
| Trade Fair Exhibition | 30 | 20 | + |
| Print Advertising | 17 | 15 | + |
| Family/Personal Links | 23 | 21 | + |
| Direct Mail Advertising | 8 | 4 | + |
| Company & Product Brochures | 29 | 23 | + |
| Product Testing & Certification | 27 | 15 | + |
| Internet | 30 | 1 | + |

Significant increases are reported in the use of the Internet, trade fairs, trade associations, and product certification.

6. Future Export Staff

Staffing for export development is scheduled to increase, and the number of companies with export sales personnel is set to grow from 22 to 39.

| Activities | Proposed | Current | Change |
|---|----------|---------|--------|
| Export Sales Staff | 113 | 54 | + |
| Companies with Export Staffs | 39 | 22 | + |
| Companies with Separate Export Department | 7 | na | na |
| Companies with Export Sales Budgets | 32 | na | na |

Section D Business Planning

1. Key Three-Year Business Goals

The ranking of the three-year business goals by the 39 companies showed strategic interest in growing sales in both domestic and export markets and achieving profitability.

| Goals | Rank |
|---|-------------|
| Growth of Existing Product Sales in Export Markets | 1 |
| Growth of Existing Product Sales in the Domestic Market | 2 |
| Development of New Products for Export Markets | 3 |
| Profitability | 4 |
| Cost Reduction | 5 |
| Acquisition of New Equipment | 6 |
| Development of New Products for Domestic Market | 7 |

The third ranked goal, development of new export products, indicates a need for input from designers with experience in the target markets.

2. Three-Year Strategic Challenges

Broadly speaking the 38 respondents to this query see their strategic challenges as (1) developing export sales, (2) obtaining adequate raw materials, (3) acquiring capital for operations and investment, and (4) recruiting and training their work force. Less concern was voiced over the level of their current domestic or export sales and the lack of a Business Plan.

The low ranking of Business Plan development is typical in smaller, entrepreneurial enterprises that place little value on planning and are focused on sales and cash flow.

| Challenges | Rank |
|--|-------------|
| Increasing the current level of exports | 1 |
| Generating new markets | 2 |
| Ensuring adequate raw material supply | 3 |
| Obtaining new working capital | 4 |
| Providing funds for the current operations | 5 |
| Obtaining new capital for plants and equipment | 6 |
| Increasing the current level of sales on domestic markets | 7 |
| Identifying and engaging trained workers | 8 |
| Training workers for the skills required | 9 |
| Developing a Business Plan | 10 |
| Maintaining the current level of exports | 11 |
| Maintaining the current level of sales on domestic markets | 12 |

3. Pricing Policy

The 40 respondents to this question show a solid understanding that the market sets prices.

| Policy | Number | % of |
|--|---------------|-------------|
| Cost + Mark-Up Pricing for Export Products | 12 | 30.0 |
| Market Pricing for Export Products | 28 | 70.0 |
| Cost + Mark-Up Pricing for Domestic Products | 10 | 25.0 |
| Market Pricing for Domestic Products | 23 | 57.5 |

The low use of cost + pricing may also reflect the lack of accurate cost data at the participating companies.

4. Level of Business Planning

In the sample 16 companies or 38% profess to have a written Business Plan. Nine of these companies claim to discuss their Plan with company employees primarily in management.

The contents of these Business Plans vary significantly. Plans appear weakest in the marketing areas of product definition, distribution channel identification, and related operational requirements for achieving the projected growth.

All Plans claim to contain proforma financial statements with 15 of the 16 indicating knowledge of capital sources.

| Plan Elements | Number |
|---------------------------------------|---------------|
| Growth Projections | 15 |
| New Product Requirements | 10 |
| New Distribution Channel Requirements | 10 |
| New Operational Requirements | 10 |
| New Manufacturing Requirements | 10 |
| Capital Equipment Requirements | 15 |
| Manpower Requirements | 13 |
| Proforma Financial Projections | 16 |
| Capital Requirements | 14 |
| Sources of Capital | 15 |
| Justification of Capital Investments | 13 |

5. Interest in External Assistance

Of the 42 companies in the sample, a significant percentage professed interest in assistance:

| Plan Elements | Number | % of Companies |
|-------------------------------------|---------------|-----------------------|
| Assistance in Exporting | 38 | 90.5 |
| Assistance in Attracting Investment | 33 | 78.6 |

PILOT SELECTION

A primary use of the survey results and findings was to identify candidates for further assistance by the CCA Project. These companies, called Pilots, are targeted due to their present business and export success relative to their peers in the survey sample.

The WP&F Team used the following selection criteria:

1. **Revenue Growth** – The candidate must show growth in total, domestic, and export sales from 2004 to 2005.
2. **Labor Productivity** – As evidence of sound production management, the candidate must show growth in labor productivity defined as *revenue per employee*.
3. **Certification** – Ideally the candidate should have ISO certification and/or evidence of product testing.
4. **Exporting to the EU** – As evidence of export competency, the candidate must currently be exporting to customer(s) in the EU.
5. **Trade Fair Participation** – The candidate must be employing trade fairs as a promotional tool.
6. **Business Plan** – The candidate ideally exhibits management expertise through the existence of a formal Business Plan.
7. **Location** – The candidate group must represent Central Bosnia (SB) and Una Sana (US).

In addition, the Team preferred companies that were locally owned and used solid wood in their products.

Based on these criteria, the Team selected the following candidates:

1. **UKUS** – This company manufactures seating and is also reselling furniture products manufactured by a cluster partner, NORD-ENT. UKUS is growing its both its domestic and export revenues, improving its labor productivity, is ISO certified, exports to the EU, has participated in trade fairs, has both formal Export and Business Plans, has a web site, and utilizes solid wood in its products. UKUS is located in Central Bosnia.
2. **TOPWOOD** - This company manufactures flooring, is growing both its domestic and export revenues, improving its labor productivity, has product certification, presently exports to the EU, has a web site and formal Business Plan, is locally owned, and participates in a CCA Cluster. TOPWOOD is located in Central Bosnia.
3. **OMDA** – This company manufactures solid wood furniture, is growing both its domestic and export sales, improving its labor productivity, presently exporting to the EU, participating in trade fairs, and is locally owned. OMDA is located in Una Sana.
4. **SMRCA** – This company produces furniture and furniture elements, is presently exporting to the EU, participated in the 2005 Eko-Bis trade fair in Bihac, uses solid wood, and is locally owned. SMRCA is located in Una Sana.

In the event one or more of these candidates choose not to participate in the Pilot Program, the Team identified two back-up companies in Central Bosnia:

1. **TAMEX** – This company produces furniture elements, is growing its domestic and export sales, increasing labor productivity, presently exports to the EU, is locally owned, and uses solid wood. TAMEX is located in Central Bosnia.
2. **BOSNAWOOD** – This company produces kitchen furniture, is presently exporting to the EU, has a web site, employs a company sales person in its target export market, and is a good example of a small entrepreneurial enterprise developing from a saw mill base.

Business Goals & Challenges

The primary business goal for the four Pilot candidates is revenue growth. UKUS and SMRCA are aiming to grow their export sales while OMDA's secondary priority is export growth. TOPWOOD is focused on domestic sales growth as well as developing high value-added exports.

All of the candidates consider access to adequate raw materials ie, logs and lumber, as critical to their success.

OMDA considers access to capital for operations and investment as their primary strategic challenge.

Assistance Program for Pilots

In an effort to identify specific assistance needs at the Pilot candidates, the Team conducted brief follow-up interviews with the companies. These questions were asked of company management:

1. **Is export growth a high priority of your company?** – All four candidates answered *yes*.
2. **Have you developed a formal Export Plan?** – Only TOPWOOD has completed an Export Plan.
3. **What products are you currently exporting?**

UKUS – upholstery, solid wood chairs and tables
TOPWOOD – flooring
OMDA – furniture and flooring elements, furniture
SMRCA – KD lumber and furniture elements

4. **What products are you planning to export?**

UKUS – parquet
TOPWOOD – door frames and scantlings
OMDA – bedroom and kitchen furniture
SMRCA – solid wood furniture

5. **Are your exports increasing?** – UKUS reported growing exports while the other candidates indicated no change since the survey.

6. How many export customers do you have?

| | |
|---------|----|
| UKUS | 3 |
| TOPWOOD | 5 |
| OMDA | 17 |
| SMRCA | 6 |

7. Have you added export destinations since the survey?

| | |
|---------|--------------------|
| UKUS | EU |
| TOPWOOD | EU |
| OMDA | Balkans and the EU |
| SMRCA | na |

8. How did you develop these new customers?

| | |
|---------|--|
| UKUS | Visiting trade fairs |
| TOPWOOD | na |
| OMDA | Visiting trade fairs and contacts from customers |
| SMRCA | Export Agents and contacts from customers |

9. What specific assistance could our project provide to increase your export sales?

Assistance in Trade Show participation – UKUS, TOPWOOD, OMDA (2), SMRCA (2)

Preparation of Export Marketing Plan – UKUS, OMDA (3), SMRCA (3)

Development of Contacts with Agents, Distributors, and Buyers – UKUS, OMDA (1), SMRCA (1)

* Priority ranking is shown in parentheses.

In addition, TOPWOOD indicated a need to understand UK business regulations and joint venture practices. UKUS advised of the need for product design assistance and training of craftsmen.

10. Are you interested in receiving assistance from the CCA Project to improve export activity? – All of the candidates responded *yes*.

11. Will you support the assistance by dedicating your managers' time to work with the CCA Project? – All of the candidates responded *yes*.

12. Are you prepared to support such assistance financially ie, pay a share of the costs? – All of the candidates responded *yes*.

Next Step

The next step for the WP&F Team, in conjunction with USAID, is to develop one-on-one assistance programs for each candidate and, where possible, to identify group activities that benefit all four Pilots where objectives are similar.

| | Company | Location | NACE Class | Products | | | | | | | | 2005 Employment |
|----|-------------------------------------|-------------------|------------|------------------|---------------|---------|-----------------|----------------|------------|-----------------|-------|-----------------|
| | | | | Sawmill Products | Veneer/ Board | Joinery | Panel Furniture | Wood Furniture | Upholstery | Furniture Parts | Other | |
| 1 | KRIVAJA | Zavidovići | 36.100 | + | + | | + | + | | + | | 2,810 |
| 2 | UKUS | Tesanj | 36.110 | + | + | | + | + | + | + | | 272 |
| 3 | FIS | Vitez | 36.140 | | | | + | | | + | + | 122 |
| 4 | IMPREGNACIJA HOLZ | Vitez | 20.101 | | | | | | | | + | 282 |
| 5 | PALAVRA | Travnik | 20.200 | + | + | | | | | | | 71 |
| 6 | TAMEX | Busovača | 20.101 | | | | | | | + | + | 65 |
| 7 | LUXOR | Travnik | 36.110 | | | | | + | | + | | 140 |
| 8 | BORIK | Maglaj | 36.140 | | | | + | | + | | | 77 |
| 9 | POGY | Bihac | 20.101 | + | + | | | | | + | | 65 |
| 10 | VLAŠIĆ MG | Travnik | 20.101 | + | + | | | | | | | 73 |
| 11 | KONTINENTAL | Kiseljak | 20.300 | | | + | | | | | | 66 |
| 12 | PRIMUS | Maglag | 45.211 | + | | + | | | | + | + | 108 |
| 13 | WOOD MAGNAT | Kalesija | 20.300 | | | + | | | | | | 48 |
| 14 | KESTEN | Vitez | 36.110 | | | | | | + | | | 47 |
| 15 | PROMO | Donji Vakuf | 45.211 | | | | | | | | + | 90 |
| 16 | ECONOMIC | Vitez | 36.140 | | | | + | | | | | 27 |
| 17 | ŠIPAD BINA | Bihać | 36.120 | + | | | + | + | + | + | + | 158 |
| 18 | TOPWOOD | Vitez | 20.100 | | | | | | | | + | 16 |
| 19 | JANJ Tvornica Ploča i furnira | Donji Vakuf | 20.200 | | + | | | | | + | | 85 |
| 20 | SMRCA | Bosanska Krupa | 36.140 | + | + | | + | + | | + | | 40 |
| 21 | NORD-ENT | Tesanj | 36.141 | | | | | + | | + | | 51 |
| 22 | STANEX | Zenica | 20.101 | | | | | | | | + | 40 |
| 23 | SANY-GLOBAL | Bihac | 36.140 | | + | + | | | | + | | 32 |
| 24 | OMDA | Bosanski Petrovac | 36.140 | + | + | + | | + | | + | | 45 |
| 25 | TVORNICA NAMJESTAJA TRAVNIK | Travnik | 36.140 | | | | | + | | | | 33 |
| 26 | JANJ Tvornica građevinske stolarije | Donji Vakuf | 20.300 | | | + | | | | | | 96 |
| 27 | ALDŽA-ELVIS | Bosanska Krupa | 20.300 | | | + | + | + | | + | + | 16 |
| 28 | FILES | Sanski Most | 20.101 | | | + | | + | | | + | 2 |
| 29 | KRIN | Zenica | 20.300 | | | + | | | | | + | 16 |
| 30 | HNK COMPANY | Bosanska Krupa | 20.101 | + | | | | | | + | + | 8 |
| 31 | BOSNADRVO | Kakanj | 30.300 | | | | | | | | | 18 |
| 32 | TVORNICA SIBICA DOLAC | Travnik | 36.630 | | + | | | | | | + | 32 |
| 33 | ASL-HUSKIC | Busovaca | 36.140 | | | + | | + | | + | | 9 |
| 34 | BOSNA WOOD | Vitez | 36.131 | | | | + | + | | | | 11 |
| 35 | PGS | Bugojno | 20.300 | | | + | | + | + | | | 4 |
| 36 | EDRA | Bosanski Petrovac | 36.130 | | | | | + | | + | | 5 |
| 37 | CARLATO | Travnik | 36.110 | | | | | | | + | | 10 |
| 38 | ZEDEX | Zenica | 36.141 | | | | | + | | | | 5 |
| 39 | DI SANICA | Ključ | 20.101 | + | + | + | | | | + | + | 261 |
| 40 | M-ANY | Zenica | 51.130 | | | + | | | | + | | 5 |
| 41 | DIVAN | Vitez | 36.140 | | | | | | + | | | 16 |
| 42 | ADLES | Sanski Most | 20.300 | | | + | | + | | + | + | 9 |

Sample Companies - Location, NACE Class, Primary Products & Employment

Relevant NACE Classes

| | |
|---------------|---|
| 20.100 | Sawmilling and planing of wood |
| 20.101 | Sawmilling |
| 20.200 | Manufacture of veneer sheets, plywood, laminated board, particleboard, fibre board, and other panels and boards |
| 20.300 | Manufacture of builders' carpentry and joinery |
| 36.100 | Manufacture of furniture |
| 36.110 | Manufacture of chairs and seats |
| 36.120 | Manufacture of other office and shop furniture |
| 36.130 | Manufacture of kitchen furniture |
| 36.131 | Manufacture of kitchen furniture |
| 36.140 | Manufacture of other furniture |
| 36.141 | Manufacture of bedroom furniture |
| 36.630 | Other manufacturing not elsewhere classified |
| 45.211 | General construction of buildings |
| 51.130 | Agents involved in the sale of timber and building materials |